

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
SINGLE AUDIT COMPLIANCE REPORTS
YEAR ENDED JUNE 30, 2010

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
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YEAR ENDED JUNE 30, 2010**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

ISSUED SEPARATELY

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Auditor General of the State of Arizona
and Governing Board of
Yavapai County Community College District
Prescott, Arizona

We have audited the financial statements of the business-type activities and discretely presented component unit of Yavapai County Community College District (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 10, 2010. Our report was modified to include a reference to other auditors and as to consistency because of the implementation of Governmental Accounting Standards Board Statement Nos. 51 and 53. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Yavapai College Foundation, Inc. (the Foundation), the discretely presented component unit, as described in our report on the District's financial statements. The financial statements of the Foundation were not audited by other auditors in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting that are reported on separately by those auditors.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Auditor General of the State of Arizona
and Governing Board of
Yavapai County Community College District

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Yavapai County Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Governing Board, management, others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LarsonAllen LLP

LarsonAllen LLP

Mesa, Arizona
December 10, 2010

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Auditor General of the State of Arizona
and Governing Board of
Yavapai County Community College District
Prescott, Arizona

COMPLIANCE

We have audited the compliance of Yavapai County Community College District (the District) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Yavapai County Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 10-1 through 10-4.

INTERNAL CONTROL OVER COMPLIANCE

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 10-01 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 10-02 through 10-04 to be significant deficiencies.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the business-type activities and the discretely presented component unit of Yavapai County Community College District as of and for the year ended June 30, 2010, and have issued our report thereon dated December 10, 2010. Our report was modified to include a reference to other auditors and as to consistency because of the implementation of Governmental Accounting Standards Board Statement Nos. 51 and 53. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Auditor General of the State of Arizona
and Governing Board of
Yavapai County Community College District

Yavapai County Community College District's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Yavapai County Community College District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Governing Board, management, others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LarsonAllen LLP

LarsonAllen LLP

Mesa, Arizona
December 10, 2010

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture			
Education Challenge Grant	10.226		\$ 19,189
Child and Adult Care Food Program	10.558		27,252
Total U.S. Department of Agriculture			<u>46,441</u>
U.S. Department of Labor			
Community Based Job Training Grants	17.269		430,238
U.S. Small Business Administration			
Passed through the Maricopa County Community College District			
Small Business Development Center	59.037	0-7620-0003-08	113,035
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		76,203
Federal Family Education Loans	84.032		3,246,866
Federal Work-Study Program	84.033		102,191
Federal Perkins Loans Program	84.038		397,092
Federal Pell Grant Program	84.063		6,976,857
Academic Competitiveness Grant	84.375		72,215
Total Student Financial Assistance Cluster			<u>10,871,424</u>
TRIO Cluster			
TRIO-Student Support Services	84.042		420,052
TRIO-Talent Search	84.044		278,622
TRIO-Upward Bound	84.047		134,390
TRIO-YC CCAMPIS Project	84.335A		19,640
Total TRIO Cluster			<u>852,704</u>
Passed through the Arizona Commission for Postsecondary Education			
Leveraging Educational Assistance Partnership	84.069	None	36,695
Passed through the Arizona Department of Education			
Adult Education-State Grant Program	84.002	10FAEAABE-670620-01A	321,923
Vocational Education-Basic Grants to States	84.048	None	210,152
Passed through the Arizona Governor's Office of Economic Recovery			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education			
State Grants, Recovery Act	84.394	GOER-FY2010-1010	457,666
Total U.S. Department of Education			<u>12,750,564</u>
U.S. Department of Health and Human Services			
Passed through the Arizona Department of Economic Security			
Child Care and Development Block Grant	93.575	E5402501	66,851
Total Expenditures of Federal Awards			<u><u>\$ 13,407,129</u></u>

See accompanying Independent Auditors' Report and Notes to Schedule of Expenditures of Federal Awards

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010**

NOTE 1 BASIS OF PRESENTATION

The purpose of the schedule of expenditures of federal awards (the Schedule) is to present a summary of those activities of Yavapai County Community College District that have been financed by the United States Government.

The Schedule is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Yavapai County Community College District.
2. No significant deficiencies or material weaknesses were identified during the audit of the financial statements of Yavapai County Community College District.
3. No instances of material noncompliance were identified during the audit of the financial statements of Yavapai County Community College District.
4. Three significant deficiencies and one material weakness were identified during the audit of the major federal award programs of Yavapai County Community College District.
5. The auditors' report on compliance for the major federal award programs for Yavapai County Community College District expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for Yavapai County Community College District are reported in Part C of this schedule.
7. The programs tested as major programs include:

Program	CFDA No.
Student Financial Assistance Cluster	Various
ARRA - State Fiscal Stabilization Fund	84.394
Trio Cluster	Various
Community Based Job Training Grants	17.269

8. The threshold for distinguishing type A and B programs was \$300,000.
9. Yavapai County Community College District was not determined to be a low-risk auditee.

B. FINANCIAL STATEMENT FINDINGS

Current Year:

None reported

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2010**

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Current Year Findings (Continued):

10-1:

CFDA Number, Title and Award Number:

84.063 – Federal Pell Grant Program

Grantor:

U.S. Department of Education

Award Period:

July 1, 2009 to June 30, 2010

Condition:

Three of 39 students tested were eligible for additional Pell grants during the summer term but were not awarded the grant. Five of the 39 students tested had incorrect Pell awards due to either the incorrect cost of attendance or incorrect status being used in the calculation.

Criteria:

Based on Department of Education guidelines, students with low Expected Family Contributions (EFCs) are automatically eligible to receive a Pell grant based on their cost of attendance, status and EFC. The College is responsible for awarding and uploading the student's information onto the Common Origination Disbursement website for approval.

Questioned Costs:

None

Possible Asserted Effect:

Students are not receiving the proper Pell awards for which they are eligible.

Recommendation:

We recommend the College upload the students' information onto the Common Origination Disbursement website for approval and disburse the funds to the student. The College should also re-evaluate its procedures for identifying students who are eligible for Pell grants.

Management Response:

Pell awarding was primarily done when students submitted the Summer Financial Aid Application. If students did not submit an application but were eligible for Pell, the manual awarding of a summer Pell grant was not done. This will be resolved for summer 2011. Reports will be run to identify those students who are Pell eligible and have not submitted a Summer Financial Aid Application and they will be awarded accordingly. This will be overseen by the Director of Business Services/Controller.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2010**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT
(CONTINUED)**

Current Year Findings (Continued):

10-2:

CFDA Number, Title and Award Number:

SFA Cluster

Grantor:

U.S. Department of Education

Award Period:

July 1, 2009 to June 30, 2010

Condition:

Three of 40 students tested were not sent an award letter. Also, the College does not send notifications to students when Title IV loans are disbursed to the student.

Criteria:

Before making a Title IV loan disbursement, the College is required to notify the student of eligible funds, how and when the funds will be disbursed, and the student's right to cancel the funds.

Questioned Costs:

None

Possible Asserted Effect:

The College is not in compliance with the Department of Education requirements.

Recommendation:

We recommend the College implement procedures to ensure award letters are sent to all students and procedures to notify students of eligible for Title IV loan funds before making a Title IV loan disbursement.

Management Response:

There were instances in which award letters were not sent to some students as there was no tracking within Banner to substantiate that award letters were sent. Further, 14 day loan notices were not sent to any students for the fiscal year 2009-10 year. As a result of the Banner implementation verbiage that addressed the 14 day loan notice was inadvertently removed from a form that all students received for the fiscal year 2008-09 year and prior. Both issues have been resolved. Award letters are being sent to all students and all students receive a 14 day loan notice when Direct Loan and Perkins funds are disbursed to students. This is now being tracked in Banner to substantiate. This was overseen by the Director of Business Services/Controller.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2010**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT
(CONTINUED)**

Current Year Findings (Continued):

10-3:

CFDA Number, Title and Award Number:

SFA Cluster

Grantor:

U.S. Department of Education

Award Period:

July 1, 2009 to June 30, 2010

Condition:

Two of 40 students tested did not have verification procedures performed correctly. One student's verification procedures were not performed and one student's verification procedures were performed incorrectly.

Criteria:

The College is responsible for performing verification procedures correctly.

Questioned Costs:

None

Possible Asserted Effect:

The College is not in compliance with the Department of Education requirements.

Recommendation:

We recommend the College evaluate its procedures and policies around verification to ensure that students are being properly verified.

Management Response:

All initial Institutional Student Information Records (ISIR) transactions were correctly selected for verification, however, subsequent ISIR transactions were not being routinely evaluated to determine if selected for verification. This issue has been resolved. A process is now in place to evaluate subsequent transactions and students are being selected for verification and documents are being requested to perform verification. All disbursements are being held for those students selected until verification is performed. This was overseen by the Director of Business Services/Controller.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2010**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT
(CONTINUED)**

Current Year Findings (Continued):

10-4:

CFDA Number, Title and Award Number:

SFA Cluster

Grantor:

U.S. Department of Education

Award Period:

July 1, 2009 to June 30, 2010

Condition:

The College did not submit federal grant disbursement and adjustment records within required timeframes.

Criteria:

The College must submit federal grant records no later than 30 days after making a disbursement or becoming aware of the need to adjust a student's disbursement.

Questioned Costs:

None

Possible Asserted Effect:

The late reporting on disbursements occurred because the College failed to follow Department of Education regulations on timely reporting.

Recommendation:

We recommend the College implement procedures to ensure timely reporting requirements are met for future disbursements.

Management Response:

This finding can be partly attributed to the recent implementation of the Banner system. There were several origination and disbursement records that remained in an unsent or rejected status in Banner that were not sent within the 30 day reporting requirement. This issue has been resolved as reporting is being done on a weekly basis and rejects are being addressed immediately. This was overseen by the Director of Business Services/Controller.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2010

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT
(CONTINUED)

Prior Year Findings:

09-1:

CFDA Number, Title and Award Number:

84.047 – TRIO - Upward Bound

Grantor:

U.S. Department of Education

Award Period:

September 1, 2007 to August 31, 2008

Condition:

The final annual performance report was not filed.

Criteria:

Annual performance reports must be filed in accordance with the grant agreement.

Questioned Costs:

None

Possible Asserted Effect:

Performance reports are not filed with the Department of Education.

Recommendation:

We recommend Yavapai County Community College District implement procedures to assure all reporting requirements are met.

Status:

The issue was corrected.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2010

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT
(CONTINUED)

Prior Year Findings (Continued):

09-2:

CFDA Number, Title and Award Number:

SFA Cluster

Grantor:

U.S. Department of Education

Award Period:

July 1, 2008 to June 30, 2009

Condition:

A new location was added in 2007-08 but was not reported to the Department of Education.

Criteria:

New locations must be reported and approved by the Department of Education.

Questioned Costs:

None

Possible Asserted Effect:

Financial aid may possibly be awarded to students at locations that are not approved. In addition, the campus security reports did not include the required information for this location.

Recommendation:

We recommend Yavapai County Community College District implement procedures to assure that all reporting requirements are met.

Status:

The issue was corrected.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2010

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT
(CONTINUED)

Prior Year Findings (Continued):

09-3:

CFDA Number, Title and Award Number:

SFA Cluster

Grantor:

U.S. Department of Education

Award Period:

July 1, 2008 to June 30, 2009

Condition:

One student out of forty tested was over-awarded unsubsidized Stafford loans.

Criteria:

When awarding aid, the school must take into consideration all other sources, including VA benefits, prior to awarding federal aid.

Questioned Costs:

\$5,517

Possible Asserted Effect:

Federal student aid may be over-awarded if other sources of aid and benefits are not taken into consideration before aid is awarded.

Recommendation:

We recommend Yavapai County Community College District implement procedures to assure that all other benefits received are taken into consideration prior to federal student aid being awarded.

Status:

The issue was corrected.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2010**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT
(CONTINUED)**

Prior Year Findings (Continued):

09-4:

CFDA Number, Title and Award Number:

84.038 – Federal Perkins Loan Program

Grantor:

U.S. Department of Education

Award Period:

July 1, 2008 to June 30, 2009

Condition:

Yavapai County Community College District changed Perkins Loan administrators during the year; however, there was some confusion in what specific compliance requirements were being completed by the administrator and which were to be completed by Yavapai County Community College District. As a result, we noted not all the due diligence and deferment requirements were completed.

Criteria:

Yavapai County Community College District is responsible for compliance requirements surrounding the Perkins Loan program.

Questioned Costs:

None

Possible Asserted Effect:

The Perkins Loan program compliance requirements may not be met.

Recommendation:

We recommend Yavapai County Community College District understands the contract with the administrator to ensure all compliance requirements surrounding the Perkins Loan program are completed.

Status:

The issue was corrected.